

Message Text

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ACTION OES-04

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FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC 5568

INFO AEC GERMANTOWN

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: OCON, IAEA

SUBJECT: IAEA BOARD OF GOVERNORS 2/75: AGENCY BUDGET

REF: (A) IAEA VIENNA 0754 (NOTAL)

(B) IAEA VIENNA 1297 (NOTAL)

1. LAST SUBJECT WHICH DG BROUGHT TO BOARD'S ATTENTION AT CLOSE OF MEETING FEB 26 WAS AGENCY'S FINANCIAL PROSPECTS FOR BALANCE OF 1975. IN BRIEF, GENERAL STATEMENT, DG SAID THAT WHILE POSSIBILITY EXISTED THAT HE MIGHT HAVE TO SEEK GUIDANCE OF A&B COMMITTEE ON FISCAL PROBLEMS FOR 1975, HE BELIEVED AT THIS TIME THAT AGENCY COULD AVOID THIS, ASSUMING A 17 TO ONE SHILLING/DOLLAR RATE AVERAGE FOR YEAR, AND IF FUNDS ACCUMULATED THROUGH SAVINGS FROM 1973 AND PROJECTED FROM 1974 WERE REAPPROPRIATED FOR USE IN 1975. ONLY REACTION THIS EVOKED WAS PREDICTABLE COMMENT BY SOVIET RESREP (ARKADIEV) THAT WHILE HE WAS PLEASED AT NEWS OF SAVINGS, HE WAS DIS- QUIETED BY POSSIBILITY OF A REQUEST FOR A SUPPLEMENTARY ASSESSMENT. (COMMENT: WE DOUBT THAT SOVIETS WOULD OBJECT TO REAPPROPRIATION OF CASE CARRY-OVERS, BUT THEY

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WOULD CERTAINLY RAISE QUESTIONS WITH RESPECT TO A SUPPLE-

MENTAL.)

2. IN PRIVATE CONVERSATION WITH MISOFF, DIRECTOR OF FINANCE (ENNOR) SAID IF SHILLING/DOLLAR RATE AVERAGES BELOW 17 TO ONE, THERE IS LITTLE HOPE AGENCY CAN PAY ITS BILLS WITHOUT SUPPLEMENTAL. DDG HALL (US) HAS ALSO MADE CLEAR TO US PRIVATELY THAT EVEN DRASTIC CUT-BACKS IN AGENCY PROGRAMS CAN PROBABLY NOT BALANCE THE BOOKS FOR 1975 IF DOLLAR RATE DOES NOT REBOUND. WITH RATE NOW ONLY SLIGHTLY ABOVE 16 TO ONE, AND GLOOMY PREDICTIONS FROM FINANCIAL AND BANKING CIRCLES RE ITS FUTURE COURSE, PROSPECTS OF SQUEAKING THROUGH ON AVAILABLE RESOURCES APPEAR DIM.

3. HALL HAS ALSO SAID HE WOULD WELCOME ADVICE FROM USG AS TO HOW THIS PROBLEM MIGHT BE HANDLED. HE WONDERED HOW GENEVA-BASED AGENCIES, FOR EXAMPLE, WERE COPING WITH BUDGET SHORTFALL CAUSED BY INFLATION AND DOLLAR DEVALUATION. MISSION WOULD APPRECIATE GUIDANCE TO BE PASSED ON QUIETLY TO HALL. WE ANTICIPATE RECEIVING FIRST DRAFT OF AGENCY'S DETAILED ANALYSIS OF 1975 BUDGET PROBLEM IN FEW DAYS WHICH CAVANAUGH WILL HAND-CARRY TO WASHINGTON. PROTER

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